

**OFFICE OF CITY CONTROLLER**  
**CITY OF HOUSTON**  
**INTER OFFICE CORRESPONDENCE**

**To** Mayor Bill White  
City Council Members

**From** Annise D. Parker  
City Controller

**Date** March 25, 2005

**Subject** February 2005 Financial Report

Attached is the Monthly Financial and Operations Report for the period ending February 28, 2005.

**GENERAL FUND**

We are currently projecting a \$10.4 million shortfall for the general fund in FY05, or \$3.9 million less than predicted in January. Overall, we are projecting a \$2 million increase in revenues and transfers and a \$1.9 million decrease in expenditures. The more significant changes can be summarized as follows:

**Revenues**

- Estimates for transfers to Tax Increment Reinvestment Zones (TIRZs) have decreased, resulting in a \$1 million increase in general property tax revenues.
- The legal issues relative to the transfer of money from the Auto Dealers fund have been resolved. We have increased our projection by \$1 million based on HPD's estimate of the amount that will be available for transfer in this fiscal year.

**Expenditures**

While many of the general fund departmental expenditure projections have changed due to departments "truing up" their projections as we get nearer to year-end, the most significant changes include:

- An increase of \$723 thousand in projected expenditures for Building Services primarily due to the move toward in-house monitoring of CIP projects that has resulted in a need for increased staff.
- A decrease of \$817 thousand in general government expenditures due to a decrease in insurance costs for retirees, and decreases in both insurance and tax appraisal fees.
- A decrease of \$658 thousand in Health and Human Services expenditures due to a more accurate assessment of which expenditures will be funded through grants vs. the general fund.

**ENTERPRISE FUNDS**

There are no significant changes in the Aviation Fund or in the Convention and Entertainment Facilities Fund this month.

The Combined Utility System (CUS) has a projected \$21.9 million increase in revenues and a \$5.4 million increase in expenses, with the net amount reflected as a \$16.5 million increase in operating transfers. Operating revenues for the CUS increased by \$5.2 million due to the 3.5 % increase in water and sewer rates effective April 1, 2005. Non-operating revenues for the CUS increased by \$16.7 million of which \$13.9 million was due to a gain on escrow restructuring and \$2.6 million was due to an increase in interest earnings. Operating expenses increased by \$5.4 million due to increases in costs for personnel, supplies and interfund services. Operating transfers for the CUS General Purpose Fund increased by \$11.6 million and equipment acquisition transfers increased by \$4.9 million.

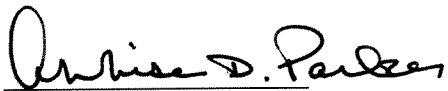
**Mayor Bill White  
City Council Members  
February 2005 Monthly Financial and Operations Report**

**COMMERCIAL PAPER AND BONDS**

The City's practice has been to maintain no more than 20% of the total outstanding debt for each type of debt in a variable rate structure. At month-end, the ratio for each type of outstanding debt was:

General Obligation	15.5%
Combined Utility System	19.5%
Aviation	17.7%
Convention and Entertainment	27.4%

Respectfully submitted,



Annise D. Parker  
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City Controller